

LAC

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# A Review of the Offices of the Comptroller General and the State Treasurer

Members of the General Assembly requested the Legislative Audit Council to conduct an audit of the Office of the Comptroller General and the Office of the State Treasurer. We reviewed the functions and organizational structure of the two offices and considered the advantages and disadvantages of merging them. We also reviewed operations to identify areas of duplication and inefficiency and to determine whether specific management practices were in accord with statutory and other requirements.

We found that combining the Office of the Comptroller General and the Office of the State Treasurer would likely result in minimal savings and could have an adverse affect on the state's financial checks and balances. While we did not identify major operational problems in either agency, we made recommendations to improve efficiency and cost effectiveness in the state's financial management and in the two offices' internal operations.

## Should They Be Combined?

Savings from merging the operations of the two agencies would probably not be significant. We reviewed each agency's executive management, administration, and data processing to determine whether staff reductions and savings would result from merger. Significant reductions would not be likely because the staff in each agency is relatively small, they already share some resources, and each office provides unique services to external entities.



Merger could impact the state's system of financial checks and balances. As provided by state law, each office is required to maintain its own financial records to provide a check of the other office.

### Why We Do Not Recommend Merger

- ☐ Savings from merger would probably not be significant.
- ☐ Merger could adversely affect financial checks and balances.
- ☐ Having two agencies is the practice in most other states.
- ☐ There is minimal duplication between the two offices.



Having two agencies for the comptroller and treasurer functions is the practice in most other states. Forty-five states in addition to South Carolina have separate comptroller and treasurer offices. Only three states have combined the comptroller and treasurer functions in a single agency.



We found minimal duplication between the two offices. There is duplication of effort in collecting information on capital leases. It would be more efficient for the comptroller general's office to assume this responsibility.

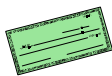
Both the comptroller general's and state treasurer's offices disburse funds to local governments. However, we found that they disburse funds for different programs and purposes. Communication between the two offices and the bond rating firms also results in minimal duplication.

## What Should Be Changed?

- ☐ Change methods for purchasing CDs to obtain higher rates.
- ☐ Change policies for procuring bond attorneys to allow greater flexibility.
- ☐ Change policies on payroll deductions to ensure that costs are recouped.
- ☐ Change travel policies to reduce costs.

The treasurer's office may not be earning maximum interest rates on its certificates of deposit. Current methods of purchasing CDs do not take into account the state's position as a large investor and do not recognize that higher interest rates may be available from banks in other states. For each tenth of a percentage point that South Carolina does not earn on \$130 million in CDs, the state loses \$130,000 annually.

The Budget and Control Board's policies for procuring the services of bond attorneys may unnecessarily restrict the flexibility of state agencies. Also, we could not find justification for dividing the authority to approve the procurement of legal services between the attorney general's office and the Budget and Control Board.



The state may not be recovering the full cost of processing employee payroll deductions from private companies. Also, the comptroller general's office has made deductions for some organizations that do not meet the minimum employee participation level required by law.

## Improving Internal Operations

We also made recommendations to the two agencies to improve internal operations.

Although travel expenditures by both offices were generally found to be in compliance with regulations, there were some instances in which lodging costs could be considered excessive (see below). We recommend that the General Assembly consider setting a limit on the amount of lodging reimbursement for both in-state and out-of-state travel.



A number of statewide elected officials may be driving state cars that are not cost effective.

The treasurer's office has taken steps to include all anticipated revenues and expenditures in its budget requests. However, more detail is needed to provide adequate information to members of the General Assembly.

### State Lodging Costs Exceeding Federal Limits by More Than 50% January 1995 – February 1997

| Location                            | State Reimbursement Per Night | Number of Nights | Federal Limit | Percentage Over the Limit |
|-------------------------------------|-------------------------------|------------------|---------------|---------------------------|
| <b>Comptroller General's Office</b> |                               |                  |               |                           |
| New York City                       | \$233                         | 2                | \$142         | 64%                       |
|                                     | \$256                         | 2                | \$142         | 80%                       |
|                                     | \$234                         | 1                | \$142         | 65%                       |
|                                     | \$256                         | 1                | \$142         | 80%                       |
|                                     | \$216                         | 5                | \$142         | 52%                       |
| Hilton Head, SC                     | \$147                         | 1                | \$73          | 101%                      |
| <b>Treasurer's Office</b>           |                               |                  |               |                           |
| Washington, DC                      | \$211                         | 1                | \$124         | 70%                       |
| New York City                       | \$329                         | 1                | \$142         | 132%                      |
| Lake Tahoe, CA                      | \$191                         | 2                | \$68          | 181%                      |
|                                     | \$128                         | 3                | \$68          | 88%                       |
| Charleston, SC                      | \$200                         | 1                | \$60          | 233%                      |
| Myrtle Beach, SC                    | \$138                         | 3                | \$58          | 138%                      |

This document summarizes our full report, *A Review of the Offices of the Comptroller General and the State Treasurer*. The full report, as well as any LAC audit, is available free of charge. Audits published after January 1995 can also be found on the Internet at [www.state.sc.us/sclac](http://www.state.sc.us/sclac). If you have questions, contact George L. Schroeder, Director.